

21 JAN 1974

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MEMORANDUM

SUBJECT: The Paracel Islands Incident

1. Our information on the sequence of events that led to this weekend's clash between Chinese and South Vietnamese forces in the Paracels is extremely sketchy. The available record, however, suggests that it was Saigon that took the key initiatives last week. Both sides clearly have been motivated in large measure by the growing importance of the islands in the South China Sea as a potential source of oil.

BACKGROUND TO THE CLASH

2. The Paracels are a group of small coral islets, reefs, and rocks--none more than one square mile in area. Sovereignty over them, as well as over other island groups in the waters bounded by China, Vietnam and the Philippines, has been a subject of dispute since early this century. Japan occupied all these islands during the second World War. With the signing of the 1951 peace treaty Tokyo renounced claims to both the Paracels and the Spratly Islands, which lie south-east of the Paracels; at that time Taipei claimed sovereignty over the Spratlys and the Paracels, the colonial government in Vietnam claimed the Paracels, and the Philippines claimed the Spratlys. Shortly thereafter Peking claimed the Paracels, the Spratlys, and the Macclesfield bank, which lies between them. The South Vietnamese have subsequently claimed that France turned the Spratlys over to them. The Republic of China maintained a small garrison of islands of the Amphitrite subgroup, the northernmost

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section of the Paracels, but withdrew its forces in 1950. Since 1955 Peking has garrisoned most of the Amphitrite group, concentrating on Woody Island, which it may intend to develop into a forward base for its southern naval forces. In recent months the Communist Chinese have also constructed an oil rig on Woody Island.

3. The present trouble dates from a South Vietnamese statement issued in September, which reiterated a claim to the Spratlys. Initially Peking chose to ignore this claim, but on January 11 it responded with a foreign ministry statement reaffirming the Chinese claim to the Spratlys, the Paracels and the Macclesfield Bank. For the first time Peking also formally claimed the "natural resources in the sea around" the islands. At about this time the Chinese also sent some fishermen to the Crescent group, where according to the South Vietnamese, they set up huts and raised the Chinese flag. This apparently was a low-key move designed to assert Peking's claim to the Crescent group.

4. At this point Saigon switched its attention from the Spratlys to the Paracels. Early last week it sent a naval force to the Crescent group, with small contingents of marines that landed on islands not normally garrisoned by South Vietnam. These moves apparently forced the withdrawal of the fishermen. The Chinese were evidently prepared for this contingency and may well have anticipated it. Following South Vietnamese firing on Chinese fishermen on Duncan Island on January 16 they dispatched military units south, intervening with sizable naval and ground forces, as well as with air strikes. On January 18 the South Vietnamese were forced to pull out their naval units, abandoning the marines (who were accompanied by a US citizen from the Defense Attache's Office in Da Nang) on the islands.

WHAT CAUSED THE CLASH?

5. In large part the clash clearly is an outgrowth of the gradually increasing importance of all these island groups--an importance based largely on the possibility that significant oil deposits may lie in the waters off Indochina. Saigon granted its first exploratory concessions last year for the seas near South Vietnam; Hanoi has been dickering with the Japanese and the Italians on the exploration of the Tonkin Gulf; the Chinese have been moving on their own to get into the offshore oil business. Exploration in disputed areas of the South China Sea will obviously be held up as long as the sovereignty issue is up in the air. All the parties had been moving gingerly up to the last week, however. The real question is which side, through calculation or miscalculation, upset the delicate balance in the Paracels.

6. The question is somewhat moot, since both sides were becoming more assertive and both clearly were ready to move. The key step in the escalation, however, appears to have been Saigon's military response to the move of Chinese fishermen into the Crescent group.

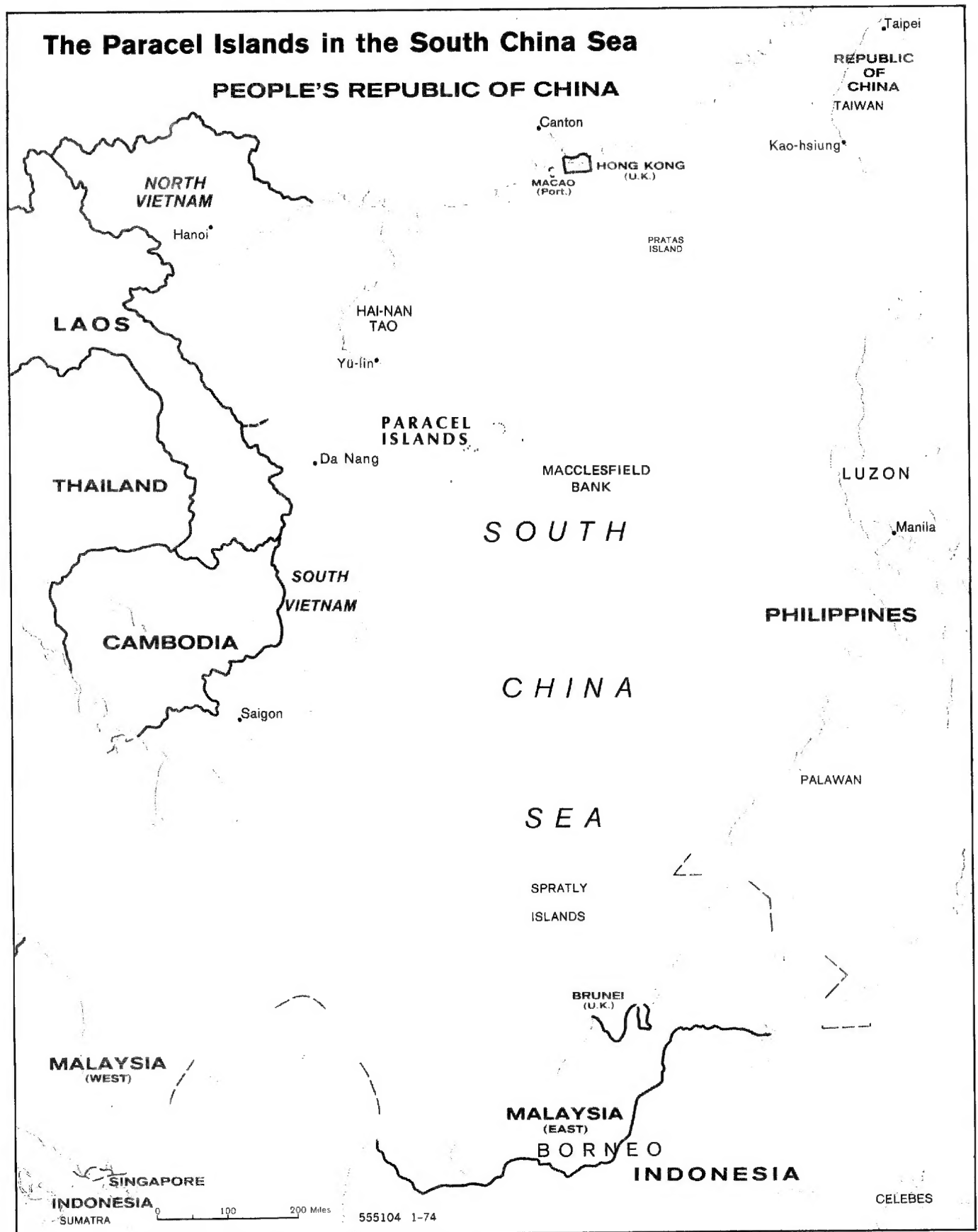
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[REDACTED] Moreover, Saigon's military activities have been accompanied from the start by a heavy output of public commentary, whereas the Chinese did not comment publicly at all until January 19.

7. If the key initiative was in fact Saigon's, we can only speculate on South Vietnamese motives. Saigon may simply have decided that even a civilian presence in the Crescent group was intolerable and that now was the time to make good its claim. It may

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